

# HLA Venture Income Fund (HLAVIF)

Sep 2018

## Fund Features

### 1. Investment Objective

The objective of the fund is to achieve high principal security and steady income by investing in fixed-income instruments. Returns will be comparable to prevailing interest rates but correspondingly, the risks will be significantly lower than that for equities investment.

### 2. Investment Strategy & Approach

This fund focuses on fixed income securities and money market instruments as well as benchmarked against Maybank's 3 months fixed deposit rate. This fund is suitable for investors who have low to moderate risk profile.

### 3. Asset Allocation

The fund will invest up to 100% of its NAV in fixed income instruments.

### 4. Target Market

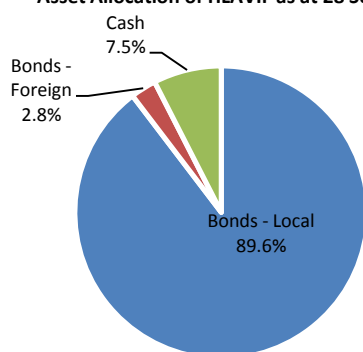
This fund is suitable for investors who have low to moderate risk profile

## Fund Details

Unit Price (28/9/2018)	:RM2.3105
Fund Size (28/9/2018)	:RM145.7mil
Fund Management Fee	: 0.50% p.a.
Fund Manager	:Hong Leong Assurance Berhad
Fund Category	:Bond
Fund Inception	:19 Jan 2000
Benchmark	:3-month Fixed Deposit Interest Rates
Frequency of Unit Valuation	:Daily

The Company reserves the right to change the Fund Management Fee (% p.a.) by giving the Policy Owner ninety (90) days prior written notice.

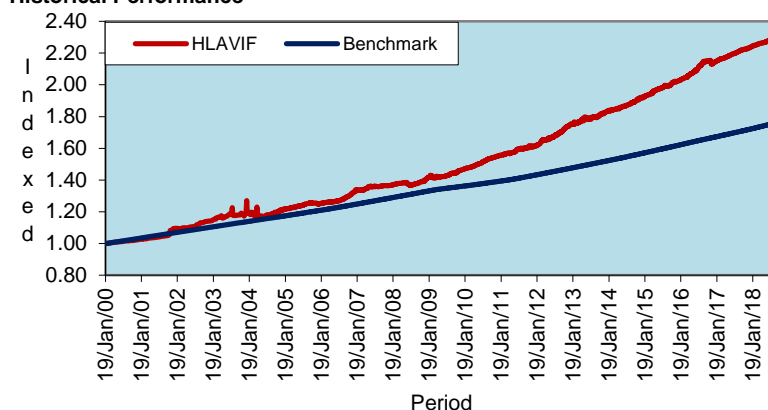
Asset Allocation of HLAVIF as at 28 Sep 2018



## Top 10 Holdings for HLAVIF as at 28 Sep 2018

	%
1. M'SIAN GOVERNMENT SECURITIES 0 4.64% 07/11/2033	7.1
2. M'SIAN GOVERNMENT SECURITIES 0 06/07/2048	7.0
3. ALLIANCE BANK MALAYSIA BHD 1 18/12/2020	6.0
4. MALAYSIA AIRPORTS HOLDINGS 1 5.75% 13/12/2024	4.0
5. GENM CAPITAL BERHAD 1 5.58% 11/07/2033	3.6
6. CIMB GROUP HOLDING 2 5.80% 25/05/2021	3.5
7. BGSM MANAGEMENT SDN BHD 2 5.25% 24/12/2020	3.5
8. GENM CAPITAL BERHAD 1 4.98% 11/07/2023	3.5
9. TENAGA NASIONAL BERHAD 2 4.98% 27/08/2038	3.5
10. UNITED OVERSEAS BANK (M) BHD 2 4.80% 25/07/2023	3.5
<b>Total Top 10</b>	<b>45.2</b>

## Historical Performance



	YTD	1 month	1 year	3 years	5 years	10 years	Since Inception
HLAVIF	3.23%	0.38%	4.09%	15.52%	28.05%	67.19%	131.05%
Benchmark*	2.41%	0.25%	3.18%	9.70%	16.81%	33.65%	76.34%
Relative	0.82%	0.13%	0.91%	5.82%	11.23%	33.53%	54.71%

\*Source: Maybank

## Market Review

Generally UST yields pulled back and settled in a tighter range after acceleration in the yields from mid-July till 1<sup>st</sup> August where it peaked slightly above the psychological threshold of 3%. The reversal was due to safe haven flows triggered by escalating trade tensions after US President Trump announced double tariffs on Turkish's steel and aluminum imports. This sparked a plunge in the Turkish lira and consequently reignited concerns over the country's weak economic fundamentals. In particular the twin deficit was called into question and the ability to honour its foreign currency debt obligations. The sharp weakening of the Lira also prompted some emerging market central banks to raise interest rates to battle depreciation pressures. The unresolved American- China trade talks also left the market uncertain about trade prospects going forward.

Despite the largely negative tone on the external front, local govies were surprisingly resilient. The MGS yield curve concluded the month slightly flatter as domestic factors remained supportive. Negative spillover from the Turkish crisis that affected most EM countries was balanced out by lower GDP growth guidance by BNM of 5% for full year 2018. This was following the release of Malaysia's 2Q 2018 GDP growth which came in at 4.5%, 0.9% lower than that of the previous quarter which led the local bond market to rally.

Akin to government papers, yields of corporate bonds maintained a downtrend in August amid a lack of fresh bond supply. Interest was clustered around government guaranteed papers to the AA-part of the curve with preference for the mid-long end tenures. Reacting to appetite for the aforementioned corporate papers, it was unsurprising that some of the prominent issuers such as Danainfra, Cagamas Berhad, IJM Corporation, Gamuda, Hong Leong Financial Group, PKNS, Sabah Development Bank, Telekom Malaysia Berhad and Tenaga Nasional Berhad tapped the market during the month.

## Market Outlook & Strategy

The Fed has provided guidance of a rate hike in September and that is expected to put some pressure on local govies as the spread differential narrows further. While a full-blown EM crisis remains a concern, EM Asia which includes Malaysia is still a little more removed from the source of the risk. Meanwhile Malaysia-Turkey trade linkages are thin and more importantly, Malaysia's financial institutions have limited exposure to the Turkish financial market. While some volatility may be felt, we opine that the magnitude would be tamer in contrast to regions such as EM Latin America and EM Europe which have closer direct trade and financial linkages to Turkey.

Besides the anticipated Fed rate hike in September, risk of foreign outflows lie with the chunky maturities of MGS and GILs in the next few months. Given that foreign participation stands at about 40%, fiscal uncertainties remain the driving factor that may drive foreign investor outflow when these papers mature. That said, we opine that the pressure on MGS yields would continue to be mitigated by Malaysia's strong domestic institutional participation. Private debt securities issuance is expected to remain subdued for the rest of the year given rising lingering uncertainties surrounding major restructuring in most of the government-linked entities.

As planned, we have participated in a few primary issuances recently, thus our position is close to our target. Since there is less pressure to increase our holdings, we will stay sidelined and cherry pick on good quality PDS with decent yield for the moment. Should yields rise, we will seize the opportunity to average up the portfolio yield by maximizing our exposure, deploying the unutilized cash from other assets.

**Hong Leong Assurance Berhad** (94613-X)

Level 3, Tower B, PJ City Development, No. 15A, Jalan 219, Seksyen 51A, 46100 Petaling Jaya, Selangor.

Telephone 03-7650 1818 Facsimile 03-7650 1991

Customer Service Hotline 03-7650 1288 Customer Service Hotfax 03-7650 1299

# HLA Venture Income Fund (HLAVIF)

## Actual Annual Investment Returns for the Past Five (5) Calendar Years

Year	2013	2014	2015	2016	2017
Benchmark	3.1%	3.2%	3.2%	3.1%	3.0%
HLAVIF- Gross	5.4%	5.8%	6.5%	6.9%	5.3%
HLAVIF - Net	4.5%	4.8%	5.5%	5.8%	4.4%

Net returns are adjusted for tax and fund management fees.

Those are the actual returns in the past five (5) years, or since inception if shorter, and are strictly the performance of the investment-linked fund. Thus, the returns are not earned on the actual premium paid of the investment-linked product.

### Investment Risks

All investments carry risks. Policy Owners must be prepared to accept certain degree of risk associated with this Investment. The following are the non-exhaustive list of risks associated to this fund.

#### 1. Market Risk

Market risk stems from the fact that there are other economy-wide perils, which threaten all businesses. It is mainly caused by uncertainties in the economy, political and social environment.

#### 2. Liquidity Risk

Liquidity risk is the risk that the fund invested cannot be readily sold and converted into cash. This may arise when the trading volume is low and/or where there is a lack of demand for the security.

#### 3. Credit Risk

This refers to the possibility that the issuer of a security will not be able to make timely payments of interest or principal repayment on the maturity date. The default may lead to a fall in the value of the funds.

#### 4. Interest Rate Risk

The level of interest rates has an impact on the value of investments. Any increase in rates will lead to a fall in the value of securities, thus affecting the value of the funds.

#### 5. Country Risk

The foreign investment of a fund may be affected by the political & economic conditions of the country which the investments are made.

#### 6. Currency Risk

This risk is associated with investments that are denominated in foreign currencies. Fluctuation in foreign exchange rates will have an impact on the value of the funds.

### Risk Management

The Company has in place its Authorized Investment Framework which forms part of the Risk Management process. The authority framework will cover the nature and scope of the investment authority that is exercisable by various parties in managing the Company's investments. Besides this, sensitivity and stress testing is conducted to inform the Company's management the profit & loss profiles of their investments under different pre-defined risk scenarios and the necessary action to be taken if the potential losses exceed the Company's risk tolerance level.

### Basis of Unit Valuation

- The assets of every fund are to be valued to determine the value at which units of a particular fund can be liquidated or purchased for investment purposes.
- The unit price of a unit of a fund shall be determined by the Company but in any event shall not be less than the value of fund of the relevant fund (as defined below), divided by the number of units of the given fund in issue on the business day before the valuation date, and the result adjusted to the nearest one hundredth of a cent.
- The maximum value of any asset of any fund shall not exceed the following price:
  - The last transacted market price at which those assets could be purchased or sold on the business day before the valuation date; or
  - In the case of securities for which market values are not readily available, the price at which, in our Investment Manager's opinion, the asset may have been purchased on the business day before the valuation date;
 plus any expenses which would have been incurred in its acquisition.
- To ensure fair treatment to all unit holders, the cost of acquiring and disposing of assets is recouped by making a transaction cost adjustment to the net asset value per unit.

### Exceptional Circumstances

The Company reserves the right to defer the payment of benefits (other than death benefit) under this Policy for a period not exceeding six (6) months from the date the payment would have been normally effected if not for intervening events such as temporary closure of any Stock Exchange in which the fund is invested which the Company, in its discretion, may consider exceptional.

### Basis of Calculation of Past Performance

The historical performance of the fund is calculated based on the price difference over the period in consideration compared to the older price of the period in consideration.

$$\frac{\text{Unit Price}_t - \text{Unit Price}_{t-1}}{\text{Unit Price}_{t-1}}$$

### Others

HLA Venture Income Fund is managed by Hong Leong Assurance Berhad (HLA). Any amount invested in this fund is invested by HLA on behalf of Policy Owner in equity, fixed income, collective investment scheme, foreign asset, derivatives and money market instrument/s. If the financial institutions and/or corporations issuing the equity, fixed income, collective investment scheme, foreign asset, derivatives and money market instruments defaults or insolvent, the Policy Owner risks losing part or all of his/her amount that were invested into the instruments on his/her behalf by HLA.

**THIS IS AN INSURANCE PRODUCT THAT IS TIED TO THE PERFORMANCE OF THE UNDERLYING ASSETS, AND IS NOT A PURE INVESTMENT PRODUCT SUCH AS UNIT TRUSTS.**

### Disclaimer:

Policy Owner must evaluate your options carefully and satisfy yourself that the investment-linked fund chosen meets your risk appetite. Past performance of the fund is not an indication of its future performance. The intention of this document is to enable Policy Owner to better understand the fund features and details in order to assist Policy Owner to making an informed decision. This document shall not be construed as professional advice on investment choices.